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The Partnership From Hell

The Mechanics of Legalized Counterfeiting

The Federal Reserve operates under a unique grant of privilege: the authority to purchase assets using money it does not actually possess. In any other context, an individual or institution attempting to create money in this manner would be prosecuted for counterfeiting. Despite the gravity of this power, it is rarely questioned in mainstream discourse and is instead accepted as a fundamental tenet of modern monetary policy.

This system is further complicated by fractional reserve banking, a practice where commercial banks generate multiple claims to the same dollar through their lending activities. These activities provide the government with a nearly bottomless source of funding, as the Fed typically purchases government debt secured by the state's power to tax the public. This financial arrangement has enabled unprecedented deficit spending, which reached approximately 1.83 trillion dollars in the 2024 fiscal year.

The Funding of the Military-Industrial Complex

The necessity for massive and perpetual funding is driven by the expansive requirements of the military, the CIA, and various other government agencies. While President Eisenhower famously warned against the rising influence of the Military-Industrial Complex in 1961,

the trend has only accelerated. Historical efforts to curtail these entities have been met with extreme resistance; for instance, some suggest the CIA was involved in the assassination of John F. Kennedy following his attempts to dismantle the agency and pursue peace with the Soviets.

Because the government can only extract a finite amount of wealth through direct taxation, it relies on the corrupt banking system to bridge the gap. This partnership enriches a select few while systematically depleting the wealth of the general population. This is a stark departure from the era of honest money, when paper currency was fully redeemable in gold and the government remained small and peaceful.

The Origins of the Federal Reserve

The transition toward the current system was catalyzed by the Banking Panic of 1907. During this crisis, the collapse of United Copper's stock triggered massive withdrawals from the Knickerbocker Trust, leading to a nationwide run on banks. In response, the government turned to financier J.P. Morgan, who acted as a de facto central bank by bailing out trust companies, brokerage houses, and the Stock Exchange.

However, New York’s established bankers saw their power eroding due to the rise of state and non-national banks, which by 1913 commanded 57 percent of banking resources. To regain control, a group of influential bankers and Senator Nelson Aldrich met secretly at the Morgan estate on Jekyll Island in 1910. Their plan eventually became the Federal Reserve Act of 1913, which established 12 regional reserve banks. Although these institutions are officially classified as private, they function essentially as government agencies.

Financing Global Conflict Through Propaganda

The partnership between the government and the Fed was fully realized following the United States' entry into World War I in 1917. Treasury Secretary William Gibbs McAdoo was tasked with financing the war effort without printing money directly, as he feared it would damage the Fed's reputation and public morale. Instead, he utilized a combination of aggressive tax increases and the sale of Liberty Bonds.

To convince a reluctant public to fund the war, the Committee on Public Information launched a massive propaganda campaign. This effort included:

1. The use of 11,000 billboards and streetcar advertisements.
2. Recruitment of 60,000 women and famous celebrities like Charlie Chaplin to hold bond rallies.
3. Psychologically targeted messaging that leveraged guilt, fear, and maternal or herd instincts to encourage investment.

By the end of the war, the government had raised 17 billion dollars—the equivalent of 392 billion dollars in 2025—with nearly 70 percent of urban wage earners owning Liberty Bonds.

The Legacy of Unsound Money

The human cost of this financed conflict was staggering, resulting in 117,000 Americans killed and over 200,000 wounded. Many of these individuals were conscripts who died not in defense of American liberty, but for what Major General Smedley Butler described as huge war profits. Butler noted that soldiers were never told that dollars and cents were the primary drivers of the conflict.

Beyond the immediate casualties, the era of centrally managed money and global interventionism facilitated the rise of Soviet communism and fascism. It set the stage for World War II, the Holocaust, the Cold War, and the birth of the National Security State. By removing the constraints of a commodity-backed currency, the partnership between

the government and the Fed has led to an explosion of debt at all levels. As economist Murray Rothbard observed, once a commodity money is established, no additional money is required; however, the current system has bypassed these limits, moving the world toward the edge of economic and social instability.

To understand this system, one might imagine it as a ship where the engine is powered by burning the very wood from the hull; while the vessel moves faster in the short term, it eventually ensures its own destruction by consuming its foundation.